GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3525
ANSWERED ON:25.08.2006
TAX EVASION BY MNCS
Jha Shri Raghunath

Will the Minister of FINANCE be pleased to state:

(a) whether about 25 per cent of the multinational companies (MNCs) in India indulge in tax evasion ;

(b) whether Income Tax department has sent notices to foreign for the recovery of over Rs. 1,200 crores ;

(c) if so, the details of all such MNCs to whom notices have been served;

(d) whether Income Tax department has sought additional CommissiQners in the international wing to monitor MNCs ; and

(e) if so, the measures taken to recover taxes from MNCs?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a) Evasion of direct tax was detected in 411 MNCs out of 1915 such companies assessed during financial year 2005-06, which works out to 21.46%.

(b) The total arrear demand in respect of the companies under the jurisdiction of the Directorate of Income Tax (International Taxation) was Rs.6,385.09 coore as on 1st April, 2006. Tax demand in respect of the companies has been raised over the past several years. To enforce recovery of the demand, notices are issued from time to time.

(c) Details of all the MNCs to whom such notices have been sent over the past several years are not maintained centrally. This would require examination of individual case records, involving considerable time and effort, which may not be commensurate with the objective sought to be achieved.

(d) In view of the increasing workload in the Directorate of Income Tax (International Taxation), requests for creation of additional posts are made from time to time to improve the quality of assessment and post-assessment work.

(e) Appropriate measures for recovery of tax demand provided in the Income Tax Act,1961 are taken to recover direct taxes from MNCs.